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Government of Kerala
2026

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കേരള ഗസറ്റ്
KERALA GAZETTE
അസാധാരണം
EXTRAORDINARY

ആധികാരികമായി പ്രസിദ്ധപ്പെടുത്തുന്നത്
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Thiruvananthapuram,
Wednesday

2026 ജൂലൈ 08
08th July 2026
1201 മിഥുനം 24
24th Mithunam 1201
1948 ആഷാഢം 17
17th Ashadha 1948

നമ്പർ
No.
2032

GOVERNMENT OF KERALA

Law (Legislation-A) Department

NOTIFICATION

No. 52/Leg.A2/2026/Law.

Dated, Thiruvananthapuram, 8th July, 2026
24th Mithunam, 1201
17th Ashadha, 1948.

The following Act of the Kerala State Legislature is hereby published for general information. The Bill as passed by the Legislative Assembly received the assent of the Governor on the 8th day of July, 2026.

By order of the Governor,

K. G. SANAL KUMAR,
Law Secretary.

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ACT 12 OF 2026

THE KERALA FINANCE (No. 3) ACT, 2026

An Act to give effect to certain financial proposals of the Government of Kerala for the Financial Year 2026-2027.

Preamble.—WHEREAS, it is expedient to give effect to certain financial proposals of the Government of Kerala for the Financial Year 2026-2027;

BE it enacted in the Seventy-seventh Year of the Republic of India as follows:—

CHAPTER I
PRELIMINARY

1. *Short title and commencement.*—(1) This Act may be called the Kerala Finance (No. 3) Act, 2026.

(2) Save as otherwise provided in this Act,—

(i) section 3 and 5 shall come into force on such date as the Government may, by notification in the Official Gazette, appoint;

(ii) the remaining provisions of this Act shall come into force at once.

CHAPTER II
REVISION OF TAXES

2. *Amendment of Act 17 of 1959.*—In the Kerala Stamp Act, 1959 (17 of 1959), in section 45B, after sub-section (6), the following sub-sections shall be added, namely:—

"(7) Where the person liable to pay the deficient amount of duty determined under this section fails to pay the amount within sixty days from the date of the final order passed by the Collector under sub-section (2) or sub-section (3) or by the Appellate Authority under sub-section (6), as the case may be, he shall be liable to pay interest on the deficient amount of duty at the rate of one per cent per month from the date immediately following the expiry of the said period until the date of payment.

(8) Any deficient amount of duty determined under this section by the Collector or by the Appellate Authority, as the case may be, remaining unpaid within the period specified

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in sub-section (7) shall constitute a charge on the property to which the instrument relates and such charge shall continue until the liability towards the deficient amount of duty with interest, if any, is discharged. The procedure for fixing charge on the property shall be in such manner as may be prescribed.".

3. *Amendment of Act 15 of 1963.*—In the Kerala General Sales Tax Act, 1963 (15 of 1963),—

(1) in section 5, in sub-section (1), in the explanation, in clause (b), after the words and symbol "Horti-wine,", the words and symbol "low alcoholic beverage," shall be inserted;

(2) in the schedule, in serial number 2,—

(i) after item (iv), the following item shall be inserted, namely:—

"(iva)	Low Alcoholic Beverage,—	
	(a) having strength of alcohol between 0.5% v/v to 10% v/v	120
	(b) having strength of alcohol between 10% v/v to 20% v/v	175";

(ii) in item (v), for the word, letters and bracket "and (iv)", the symbol, letters, word and brackets ", (iv) and (iva)" shall be substituted;

(iii) after the explanation (ia), the following shall be inserted, namely:—

"(ib) "Low Alcoholic Beverage" shall have the same meaning as assigned to it in the explanation to rule 3A of the Foreign Liquor Rules, 1953.".

4. *Amendment of Act 19 of 1976.*—In the Kerala Motor Vehicles Taxation Act, 1976 (19 of 1976),—

(1) in the schedule,—

(i) in serial number 4,—

(a) for item (o) and entries against it, the following item and entries shall be substituted, namely:—

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"(o)	-do-	15000 Kg.	2550.00+130 for every 250 Kg. or part thereof in excess of 15000 Kg";

(b) item (p) and entries against it shall be omitted;

(ii) in serial number 7,—

(a) in item (i), in sub-item (e), for the entries (i), (ii) and (iii), the following entries shall be substituted, namely:—

" Contract Carriages permitted to carry more than 6 passengers—	
(i) for every passenger seat	900.00
(ii) for every sleeper berth	1500.00";

(b) in item (iii),—

(ia) in sub-item (a), in column (3), for the figures and symbol "490.00", the figures and symbol "250.00" shall be substituted;

(ib) in sub-item (b), in column (3), for the figures and symbol "560.00", the figures and symbol "280.00" shall be substituted;

(ic) in sub-item (c), in column (3), for the figures and symbol "170.00", the figures and symbol "90.00" shall be substituted;

(id) in sub-item (d), in column (3), for the figures and symbol "130.00", the figures and symbol "70.00" shall be substituted;

(c) in item (iv),—

(ia) in sub-item (a), in column (3), for the figure "950", the figure "480" shall be substituted;

(ib) in sub-item (b), in column (3), for the figure "800", the figure "400" shall be substituted;

(ic) in sub-item (c), in column (3), for the figure "1030", the figure "520" shall be substituted;

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(2) in Annexure I,—

(i) for serial numbers 7B to 7F and the entries against it in column (2) and (3), the following serial numbers and entries shall respectively be substituted, namely:—

"7B.	Electric motor cycles, electric three wheeled vehicles for personal use, electric motor cars, electric motor cabs, electric tourist motor cabs and electric private service vehicles for personal use having purchase value up to 10 Lakh.	3% of the purchase value of the vehicle
7C.	Electric motor cycles, electric three wheeled vehicles for personal use, electric motor cars, electric motor cabs, electric tourist motor cabs and electric private service vehicles for personal use having purchase value more than 10 Lakh and up to 20 Lakh.	5% of the purchase value of the vehicle
7D.	Electric motor cycles, electric three wheeled vehicles for personal use, electric motor cars, electric motor cabs, electric tourist motor cabs and electric private service vehicles for personal use having purchase value more than 20 Lakh and up to 40 Lakh.	10% of the purchase value of the vehicle
7E.	Electric motor cycles, electric three wheeled vehicles for personal use, electric motor cars, electric motor cabs, electric tourist motor cabs and electric private service vehicles for personal use having purchase value more than 40 Lakh.	15% of the purchase value of the vehicle";

(ii) the item 12B and the entries against it shall be omitted.

5. *Amendment of Act 20 of 2017.*—In the Kerala State Goods and Services Tax Act, 2017 (20 of 2017),—

(1) in section 15, in sub-section (3), for clause (b), the following clause shall be substituted, namely:—

"(b) after the supply has been effected, if for such discount, a credit note has been issued by the supplier and input tax credit as is attributable to such discount has been reversed by the recipient of the supply, in accordance with the provisions of section 34.";

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(2) in section 34, in sub-section (1), after the words "both supplied are found to be deficient", the words, brackets, letter and figures "or where a discount referred to in clause (b) of sub-section (3) of section 15 is given" shall be inserted;

(3) in section 54,—

(i) in sub-section (6), after the words "supply of goods or services or both", the words, brackets and figures "or of unutilised input tax credit allowed under clause (ii) of the first proviso to sub-section (3)" shall be inserted;

(ii) in sub-section (14), after the words, brackets and figures "sub-section (5) or sub-section (6)", the words and symbols ", other than cases where refund of tax is claimed on account of goods exported out of India with payment of tax," shall be inserted.

CHAPTER III

SMALL ARREAR WAIVER SCHEME, 2026

6. *Definitions.*—(1) In this Chapter, unless the context otherwise requires,—

(a) "amount waived" means the amount of arrears of tax, cess, surcharge, interest or penalty, which is being forgone by the Government as part of the settlement of such arrears of tax, cess, surcharge, interest or penalty under the provisions of this scheme;

(b) (i) "arrears of tax or surcharge" means the tax or surcharge payable by a person under the relevant Act in a specified order, pertaining to the financial year up to 2017-2018, for which assessment or reassessment has been made under the relevant Act and pending collection;

(ii) "arrears of interest" means the interest payable by a person under the relevant Act in a specified order, pertaining to the financial years up to 2017-2018, for which assessment or reassessment has been made under the relevant Act and pending collection;

(iii) "arrears of penalty" means the penalty payable by a person under the relevant Act in a specified order, pertaining to the financial years up to 2017-2018, for which assessment or reassessment has been made under the relevant Act and pending collection:

Provided that where the evidence, details and records pertaining to the penalty levied under the relevant Act are not utilized, or not liable to be utilized, for any best judgment

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assessment under the relevant Act, the tax or surcharge demand relating to such penalty shall be deemed to be the arrears of tax or surcharge:

Provided further that any amount on which stay has been granted by any authority, tribunal or court, as on the date of commencement of this scheme, shall also be treated as an amount pending collection.

Explanation I.—For the purpose of this scheme, the term "reassessment" shall include the fresh assessment of remanded cases, modification of assessment orders and rectification of assessment orders under the relevant Act.

Explanation II.—The tax, surcharge, cess, interest and penalty amount as per the demand notice shall be treated as the amount pending collection even if the beneficiary has made payment or deposit in part, if any, after service of the demand notice.

Illustration I:

- The show cause notice was for an amount of tax/surcharge of Rs. 1000 and an amount of penalty of Rs. 100.
- The order was for an amount of tax/surcharge of Rs. 1000 and an amount of penalty of Rs. 100.
- An appeal is filed against this order.
- The arrears of tax or surcharge in this case is Rs. 1000.

Illustration II:

- The show cause notice was for an amount of tax/surcharge of Rs. 1000 and an amount of penalty of Rs. 100.
- The order was for an amount of tax/surcharge of Rs. 900 and a penalty of Rs. 90.
- An appeal is filed against this order.
- The arrears of tax or surcharge in this case is Rs. 900.

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Illustration III:

- The show cause notice was for an amount of tax/surcharge of Rs. 1000 and an amount of penalty of Rs. 500.
- The order was for an amount of tax/surcharge of Rs. 1000 and a penalty of Rs. 500.
- After reassessment, the amount of tax/surcharge becomes Rs. 800 and the penalty becomes Rs. 300. A payment of Rs. 500 towards tax/surcharge and Rs. 200 towards penalty was made after reassessment.
- The arrears of tax or surcharge in this case is Rs. 800 and the arrears of penalty is Rs. 300;

(c) "beneficiary" means any person whose arrears are deemed to be settled under this scheme;

(d) "certificate of settlement" means a certificate given under section 11 of this Chapter;

(e) "Commissioner of State Tax" means the Commissioner of State Tax under the Kerala State Goods and Services Tax Act, 2017 (20 of 2017);

(f) "designated authority" means an authority appointed under section 7 of this Chapter;

(g) "Government" means the Government of Kerala;

(h) "interest accrued" means the amount of interest which is not specified in the order, but has accrued in the intervening period between the date of order and the date of final settlement of the arrear;

(i) "notification" means a notification published in the Official Gazette of the Government;

(j) "relevant Act" means,—

(i) the Kerala Surcharge on Taxes Act, 1957 (11 of 1957);

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(ii) the Kerala General Sales Tax Act, 1963 (15 of 1963);

(iii) the repealed Kerala Tax on Luxuries Act, 1976 (32 of 1976);

(iv) the repealed Kerala Agricultural Income Tax Act, 1991 (15 of 1991);

(v) the repealed Kerala Value Added Tax Act, 2003 (30 of 2004);

(vi) the Central Sales Tax Act, 1956 (Central Act 74 of 1956);

(k) "scheme" or "Small Arrear Waiver Scheme, 2026" means the scheme under this Chapter;

(l) "specified order" means any order raising demand of tax, cess, surcharge, interest or penalty under the relevant Act.

Note:—In cases where any appeal filed by the Government is pending before any Appellate Authority, Appellate Tribunal under the relevant Act or any court, the original order shall be the specified order.

(2) Words and expressions not defined in this Chapter, but defined in the relevant Act, shall have the same meaning as assigned to them in the respective Acts.

7. *Designated Authority.*—For carrying out the purposes of this scheme, the Commissioner of State Tax may, by order, appoint one or more officers or a committee of officers referred to in section 3 of the Kerala State Goods and Services Tax Act, 2017 (20 of 2017) to be the designated authority, and such authority shall exercise jurisdiction over such area or areas as the Commissioner of State Tax may specify:

Provided that in cases of difference of opinion among the members of the designated authority regarding any decision or order, the majority opinion shall prevail.

8. *Eligibility for Scheme.*—(1) Notwithstanding anything contained in the relevant Act or under the existing scheme, the entire amount of arrears of tax, cess, surcharge, interest or penalty covered by a specified order passed under the relevant Act and interest accrued shall be deemed to have been settled under the scheme, where,—

(i) the arrears of tax or surcharge in such order are above rupees fifty thousand and do not exceed rupees two lakh; and

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(ii) the arrears of tax or surcharge relate to any financial year up to and including the financial year 2017-2018; and

(iii) such order has been issued on or before the 31st day of March, 2027:

Provided that in cases where the evidence, details and records pertaining to the penalty levied are not utilised, or not liable to be utilised, for any best judgment assessment under the relevant Act, the tax or surcharge relating to such penalty shall be deemed to be the arrears of tax or surcharge.

Explanation.—"Existing scheme" means the special waiver in respect of small arrears under section 13A of the General Amnesty Scheme, 2025 as per the Kerala Finance Act, 2025 (3 of 2025).

(2) Where the certificate of settlement has been issued in respect of all tax or taxes/surcharge pertaining to a year under a relevant Act, or no tax or taxes/surcharge remains to be settled in a year, all the penalties imposed under such relevant Act pertaining to such year, other than the penalty referred to in the first proviso to clause (b) of sub-section (1) of section 6, shall be deemed to be settled under this scheme.

9. *Non applicability of the Scheme*.—Notwithstanding anything contained in this scheme, the provisions of this scheme shall not be applicable to any arrears of tax, cess, interest or penalty payable by a dealer under the provisions of clause (b) of sub-section (1) and sub-section (2) of section 5 or section 7 of the Kerala General Sales Tax Act, 1963 (15 of 1963).

10. *Restrictions*.—Notwithstanding anything contained in the relevant Act, the amount, if any, paid under the relevant Act shall not be refunded under any circumstances.

11. *Settlement of arrears and issue of certificate.*—(1) The designated authority may, on request of the beneficiary, being satisfied with the eligibility of settlement of arrears under this scheme, by an order, issue a certificate of settlement in writing, in such form as may be specified by the Commissioner of State Tax, by an order. A separate certificate of settlement and order shall be issued in respect of each specified order:

Provided that in cases where settlement is made under the scheme and the appeal filed by the Government is pending before any authority, tribunal or court, the Government shall withdraw the appeal forthwith.

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(2) The designated authority may, either *suo motu* or on request of the beneficiary, at any time within ninety days from the date of issue of the certificate and order under sub-section (1), modify the certificate by rectifying any error apparent on the face of the record:

Provided that no such rectification adversely affecting the beneficiary shall be made without giving him a reasonable opportunity to show cause against such rectification.

12. *Revision.*—(1) Notwithstanding anything contained in section 14, the Commissioner of State Tax, may *suo motu* or upon information received by him, for reasons to be recorded in writing, at any time, within two years from the date of order, call for and examine any order passed under section 11 to satisfy himself as to the correctness, legality or propriety of the order made or decision taken therein and, if in any case, it appears to the Commissioner of State Tax that any such order or decision should be annulled, reversed or remitted back for reconsideration, he may pass orders accordingly.

(2) No order prejudicial to any person shall be passed under sub-section (1) unless such person has been given an opportunity of making his representation.

13. *Bar on revenue recovery proceedings.*—Notwithstanding anything contained in the Kerala Revenue Recovery Act, 1968 (15 of 1968), waiver of arrears under section 8 of this scheme shall apply to cases in which revenue recovery proceedings have been initiated. The revenue recovery proceedings against such beneficiaries shall be deemed to have been withdrawn on the date of commencement of the Kerala Finance (No. 3) Act, 2026 (12 of 2026) which shall then be binding on the revenue authorities, and such beneficiaries shall not be liable for payment of any collection charge leviable by such revenue authorities.

14. *Bar on re-opening of settled cases.*—A certificate of settlement issued under section 11 shall be conclusive as to the settlement of arrears to which it relates, and no matter covered by such certificate of settlement shall be reopened in any proceeding of appeal, revision or review, or in any other proceeding under the relevant Act.

15. *Information to be sent to authorities under the relevant Act.*—The designated authority, on settlement of arrears under the scheme, shall inform the assessing authority of such settlement in the manner specified by the Commissioner of State Tax, by an order.

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16. *Power of Commissioner of State Tax.*—Subject to the provisions of this scheme, the Commissioner of State Tax may, from time to time, issue such instructions and directions as he may deem fit for carrying out the purposes of this scheme.

17. *Prohibition of disclosure of particulars produced before designated authorities.*—(1) All the particulars contained in the records or documents under the scheme or in any proceedings for the purpose of this scheme shall be treated as confidential and shall not be disclosed.

(2) Nothing contained in sub-section (1) shall apply to the disclosure of any such particulars,—

(i) for the purpose of investigation of, or prosecution of offence under the Bharatiya Nyaya Sanhita, 2023 (Central Act 45 of 2023), or under any other law for the time being in force; or

(ii) to any person enforcing the provisions of this scheme where it is necessary to disclose the same to him for the purposes of this scheme; or

(iii) by the lawful employment, under this scheme, of any process for the recovery of any demand; or

(iv) to a civil court in any suit to which the Government are a party and which relates to any matter arising out of any proceeding under this scheme; or

(v) for the lawful exercise by a public servant of his powers under the Kerala Stamp Act, 1959 (17 of 1959), to impound an insufficiently stamped document; or

(vi) to an officer of—

(a) the Government of India; or

(b) the Government of any State or Union Territory in India with which an arrangement for disclosure on a reciprocal basis has been entered into by the Government; or

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(vii) to an officer of any department of the Government other than the Kerala State Goods and Services Tax Department, after obtaining the permission of the Commissioner of State Tax:

Provided that such particulars shall be furnished under this sub-section only in exceptional cases, and any officer obtaining such particulars shall keep them confidential and use them only in the lawful exercise of the powers conferred by or under any enactment.

(3) Nothing herein contained shall prevent the publication of the certificate of settlement.

18. *Protection of action taken in good faith.*—(1) No suit, prosecution or other proceeding shall lie against any officer or servant of the Government for any act done or purporting to be done under this scheme, without the previous sanction of the Government.

(2) No officer or servant of the Government shall be liable in respect of any such act in any civil or criminal proceeding if the act was done in good faith in the course of the execution of duties or the discharge of functions imposed by or under this scheme.

19. *Power to remove difficulties.*—(1) If any difficulty arises in giving effect to any of the provisions of this scheme, the Commissioner of State Tax may, by order, not inconsistent with the provisions of this scheme, remove such difficulty:

Provided that no such order shall be made after the expiry of a period of two years from the date of commencement of the scheme.

(2) Every order issued under sub-section (1) shall be laid before the Legislative Assembly by the Government.

CHAPTER IV

FLOOD CESS ARREARS SETTLEMENT SCHEME, 2026

20. *Flood Cess Arrears Settlement Scheme, 2026.*—(1) Any taxpayer who is in arrears of any amount payable as Kerala Flood Cess under section 14 of the Kerala Finance Act, 2019 (5 of 2019) pertaining to the period from 1st day of August, 2019 to 31st day of July, 2021 may opt to settle the arrears by making payment of the entire flood cess payable and, upon such payment, the applicable interest and penalty thereon shall stand waived:

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Provided that, where the entire amount of flood cess payable in respect of such arrears has already been remitted by the taxpayer, the interest and penalty relating thereto shall be deemed to have been fully waived and such arrears shall be deemed to have been settled as per this sub-section.

(2) A taxpayer who intends to settle the arrears under the scheme shall, on or before the 31st day of March, 2027, make electronic payment of the entire amount payable as per sub-section (1) as on the date of payment through e-treasury portal.

Explanation.—If a show cause notice issued under the Central Goods and Services Tax Act, 2017 (Central Act 12 of 2017) or the Kerala State Goods and Services Tax Act, 2017 (20 of 2017) includes the demand of flood cess along with the other demands under the said Acts and payment as per sub-section (1) is made to settle the flood cess payable as per the notice or order, the demand to the extent of flood cess alone shall stand settled.

(3) Where an appeal filed by the Government is pending before any appellate or revisional authority under section 14 of the Kerala Finance Act, 2019 (5 of 2019) or any court, and the taxpayer has settled the arrears under the scheme by paying the demand as per the original order, the taxpayer shall intimate such settlement to,—

(i) the appellate or revisional authority under the Kerala Finance Act, 2019 (5 of 2019) or any court; and

(ii) the jurisdictional proper officer.

(4) Upon verifying that the taxpayer has settled the arrears by making complete payment of the flood cess as per the demand in the original order, the jurisdictional proper officer shall intimate the settlement to the appellate or revisional authority under section 14 of the Kerala Finance Act, 2019 (5 of 2019) or the court, so that the appellate or revisional authority or the court may take decisions accordingly.

(5) Notwithstanding anything contained in the Kerala Revenue Recovery Act, 1968 (15 of 1968), the waiver of arrears under sub-section (1) shall be applicable to cases in which revenue recovery proceedings have been initiated, and the proper officer shall have the power to collect such amounts on settlement under sub-section (1) and where the amount is settled under sub-section (1), the revenue recovery proceedings against such taxpayers shall be

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deemed to have been withdrawn on the date of commencement of the Kerala Finance (No. 3) Act, 2026 (12 of 2026), which shall then be binding on the revenue authorities, and such taxpayer shall not be liable for payment of any collection charge leviable by such revenue authorities.

(6) Notwithstanding anything contained in this Act, or in any judgment, decree or order of any court, tribunal or appellate authority, there shall be no refund or adjustment subsequently for any amount settled under this scheme, under any circumstances.

21. *Power of Commissioner of State Tax*.—Subject to the provisions of this scheme, the Commissioner of State Tax may, from time to time, issue instructions and directions as he may deem fit for carrying out the purpose of the scheme.

22. *Power to remove difficulties*.—(1) If any difficulty arises in giving effect to any of the provisions of this scheme, the Commissioner of State Tax may, by order, not inconsistent with the provisions of this scheme, remove such difficulty:

Provided that no such order shall be made after the expiry of a period of one year from the date of commencement of the scheme.

(2) Every order issued under sub-section (1) shall be laid before the Legislative Assembly by the Government.

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